
KAZAKHSTAN EXPECTS LARGER-THAN-ANTICIPATED OUTPUT DROP

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Kazakhstan has filed a \$1.6 billion claim against a group led by BG Group and Eni which is developing the Karachaganak gas condensate field, according to consortium member Lukoil.

The move is the latest sign of tensions between global energy majors and national companies in resource-rich nations as low oil prices put more strain on state budgets which have ballooned over the past decade.

The dispute relates to a formula which determines how profit from the development is split between the companies and the government, Lukoil said in its financial report published on Monday, noting the parties were in talks on a possible settlement and it did not believe any settlement would have a material adverse effect on its finances.

It did not say when Kazakhstan had filed the lawsuit, when it expected a settlement to be reached and what the likely cost implications would be, Reuters reported.

An Eni executive had said in October there were talks on audit and cost recovery with Kazakhstan over the Karachaganak field, describing the discussions as normal in such a development.

Kazakhstan's Energy Ministry and Karachaganak Petroleum Operating, a joint venture which runs the project, had no immediate comment on Tuesday.

Eni and BG, recently acquired by Shell, each own 29.25% of the Karachaganak project in north-west Kazakhstan, which they jointly operate. State-owned KazMunayGaz owns 10%, Chevron 18% and Lukoil 13.5%.

The Kazakh government said this year the consortium would start an expansion project in 2017 that will cost \$12 billion. In 2015, the field produced 141.7 million barrels of oil equivalent in the

form of gas and liquids.

Oil is Kazakhstan's main export and a key source of budget revenue. The decline of its price has prompted Kazakhstan to stop pegging its tenge currency to the dollar last August and let it lose almost half of its value against the greenback.

It has also strained Astana's relations with foreign investors. In another recent case, KazMunayGaz representatives on the board of its listed upstream subsidiary clashed with independent directors over the 2015 dividend. The board voted to pay none, against independent directors' proposals.

Kaynak/Source: